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## FEDERAL DIARY

## Early-Retirement Bill

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**T**housands of federal workers, some as young as their middle 40s, could become eligible for early retirement this year under a bill just introduced by Sen. William V. Roth (R-Del.), chairman of the Governmental Operations Committee.

The bill would open the early retirement window between July 1 and Dec. 31 for about one of every seven workers, and would more than double the number of federal employees eligible for retirement.

The current minimum age for early retirement is 55. But under Roth's proposal, employees could draw pensions at any age after 25 years of service, or at age 57 after as few as five years on the job. The benefits would be reduced by 2 percent for each year that the employees are under age 55.

Roth, whose committee controls most federal employee legislation, believes that 400,000 workers meet the age and service requirements of his bill.

Many agencies are facing furloughs or layoffs because of spending cuts ordered by Congress, and the administration is anxious to avoid a repetition of the disruption and morale problems that were generated by a series of limited rifs (reductions in force) in the early 1980s. As a result, officials are seriously considering Roth's plan.

Roth said early retirements could cut the government payroll by millions of dollars and let agencies slim down without rifs, which usually hit young workers the hardest.

While the average retirement age for civil servants is 61, they can start drawing pensions at age 55 after 30 years, age 60 after 20 years, or age 62 after five years. Benefits depend on salary and length of service.

In rare instances, the Office of Personnel Management allows early retirement at age 50 after 20 years of service.

The so-called "early outs" are always limited to agencies undergoing major rifs or shakeups, and often are limited to workers in selected grades, jobs or geographic areas.

Under Roth's plan, employees could retire between July and January if they are:

- Twenty-five-year veterans of federal service.
- Age 50 with 20 years' service.
- Age 55 after 15 years' service.
- Age 57 with five years' service.

Thousands of workers would probably be encouraged to take early retirement if the legislation passes, particularly if Congress also approves a tax reform bill that eliminates the tax-free period that federal and postal workers now get after retirement.

Currently, annuities of those workers and others who contribute to their own pension plans are not taxed for a period after retirement. They begin paying taxes after they have recovered all the money they put in, since those contributions were previously taxed as part of income.

The House tax reform plan would subject part of annuities to federal taxes starting July 1. The Senate Finance Committee is considering a two-year phase-out of the tax benefit.

Unions representing federal and state employees have warned that massive retirements may result if the tax rules are changed.

#### Meetings

The Federal Bar Association's tax reform conference will be held tomorrow and Wednesday at the Mayflower Hotel. Speakers include tax experts from Congress, the executive branch and the private sector. Call 638-0252.

Marvin Cetron, president of Forecasting International, will speak at the March 25th Touchdown Club luncheon sponsored by the Senior Executives Association. For details, call 535-4328.